GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:589
ANSWERED ON:02.03.2007
INTEREST RATE
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Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) has recently raised the Repo Rate and Cash Reserve Ratio;

(b) if so, the reasons therefor and its impact on interest of various loans;

(c) whether the Government has directed the banks not to increase the Home Loan interest;

(d) if so, the response of the public and private banks;

(e) the action takers/proposed to be taken by the Government against the banks for violation of directions; and

(f) the steps taken by the Government to check the increase of interest rate on the home loan?

Answer

MINISTEROF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a) & (b): Yes, S: r. On a review of macro economic and monetary/liquidity condition, as also the credit growth and the need to moderate the pre-empting upward pressures or inflation expectations, Reserve Bank of India (RBI) has increased the Cash Reserve Ratio (CRR) and fixed Repo Rate under liquidity adjustment facility (LAF). Subsequently, the Benchmark Prime Lending Rates (BPLR) of the banks have increased.

(c), (d), (e) & (f): It was desired that Public Sector Banks may rein in interest rates on home loan at current level as further increase by banks may not be necessary, provided banks are in a position to address the rebalancing of their credit portfolio. It is hoped that the: Banks would take into consideration this factor while determining the rate o:r interest on home loan.